Serial No.: New CON of 09/298767 Application
Amended Specification

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Beginning at Page 5, line 17

The return on a mortgage, or any investment, is measured by the average annual cash flow to the investor (adjusted for time and risk) relative to the amount initially invested. Former mortgage plans have ignored the value of maximizing the risk-adjusted return on mortgage financing by separating, as completely as possible, the compensation component of the cash flow returned to the investor from the repayment of the initial principal. By avoiding required monthly installments consisting of both compensation in the form of interest figured on the remaining principal outstanding and repayment of some portion of the remaining principal, the homeowner's current payment burden can be minimized. In addition, the separation of compensation from original principal repayment can actually expand the amount of original financing extended, thus increasing the homebuyer's purchasing capacity, as well as providing a superior risk-adjusted return to the mortgage investor.

Beginning at Page 12, line 5

Using the system of the present invention, then, the EPMO permits the lender in this example to realize an average rate of return of 10.316%, which is obtained by dividing the annual appreciation of $12,895 by the average principal balance of $125,000.